



**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
7575 EAST MAIN STREET, SCOTTSDALE, ARIZONA
PINNACLE CONFERENCE ROOM
JANUARY 14, 2003
MINUTES**

PRESENT: Don Bomer, Chairman
Tom Morrow, Vice Chairman
Jose Catalan, Commissioner
Tom Curley, Commissioner
Shaun Robinson, Commissioner
Sally Shaffer, Commissioner
Ned Sickie, Commissioner

STAFF: Kathy Montalvo
David Roderique
Kathy O'Connor

OTHERS PRESENT FOR ALL OR PORTIONS OF THE MEETING:

Rebecca Eickley
Craig Clifford
Kristi Miller
Marie Peiterick
Rachel Sacco
Councilman Ecton
Councilman Silverman
Brent DeRaad

CALL TO ORDER

Chairman Bomer called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:05 a.m.

ROLL CALL

A formal roll call confirmed members present as stated above.

Chairman Bomer welcomed Councilman Ecton and Councilman Silverman stating the Commission appreciates their attendance.

APPROVAL OF MINUTES

A MOTION WAS MADE BY VICE CHAIRMAN MORROW TO APPROVE THE MINUTES OF THE DECEMBER 17, 2002 MEETINGS MINUTES AS PRESENTED. THE MOTION WAS SECONDED BY COMMISSIONER CATALAN AND PASSED UNANIMOUSLY.

Commissioner Catalan stated it was his understanding that the Commission was to hear presentations from the Signature Events at this meeting. Ms. O'Connor stated due to the length of this meeting Chairman Bomer and Vice Chairman Morrow requested that item be discussed at the January 21, 2003 meeting.

TOURISM DEVELOPMENT BUDGET REVIEW

Chairman Bomer stated the Commission would review the budget to look at their options and look at how best to spend the tourism dollars they have. He thanked Ms. O'Connor for putting together all of the information the Commission will need as they discuss their options.

Ms. O'Connor reviewed the items contained in the Commission's packet. She remarked the Commission is being asked for ideas, suggestions, and recommendations to offset the projected bed tax operating shortfalls. The challenge is two-fold: to deal with the current fiscal year, and to examine the estimated annual budgets for the following four years to eliminate the projected deficits.

Ms. O'Connor reported that due to the revenue shortfall, a \$210,665 operating deficit is currently projected in FY02-03 for the bed tax operations budget, and will increase over the next four years based on budgeted expenditures.

Mr. Clifford reviewed the Tourism Pro Forma. He stated the bed tax projections are very conservative. They are showing no growth in the current year over the prior year, no growth in the following year, and a modest three to four percent growth in the outer years. He further stated there is a growth factor on the CVB contract and a modest reduction in the Special Event subsidy.

Mr. Clifford reported the City is re-evaluating all capital projects. He further reported presently \$1,744, 200 is set aside from bed tax funds in the City's Capital projects budget. He reviewed the status of current capital projects and funding obligations. The TPC land has a \$50,000 a year commitment. There are also commitments for the Waterfront project, Loloma Museum and Taliesin projects. He remarked they could package all three of these projects and issue a debt for next fall 2003. He further

remarked any projects that have not already begun, the City is re-evaluating whether they are still a priority.

Vice Chairman Morrow stated it was his recollection from the last meeting that the Taliesin people needed the funding immediately in order to get the project underway. He further stated he had no idea bonding was anticipated for this project. Mr. Clifford stated they would be able to expend the money this year using available cash. The expenditure will count against the debt to be issued this fall. Vice Chairman Morrow inquired if you have a deficit because of the debt service, where would they suggest the money be taken out of the budget. Mr. Clifford stated the General Fund would have to subsidize these projects.

Vice Chairman Morrow inquired about the status of the Airport Museum. Mr. Roderique reported the Airport Museum is having difficulty with their capital campaign. He further reported their contract expires this April and they are required to raise a certain amount of funds before they can move forward. They have requested an extension up to five years to raise the dollars.

Chairman Bomer stated he read somewhere recently that the City is going to a zero-based budget for most departments throughout the City. Mr. Clifford remarked the City has been using a modified zero-based budget approach for years. All of the departments are cutting virtually any expenditure that is not associated with operating supplies. He further remarked many positions are going unfilled. Chairman Bomer inquired if they are advocating any reduction to the funding for the CVB budget. Ms. Sacco stated she has prepared a handout that outlines budget scenarios for the Commission to review.

Vice Chairman Morrow inquired when they issue a bond if they must identify specifically that bed tax funds will be dedicated for the repayment of those funds as opposed to the General Fund. Mr. Clifford stated they must craft a financial policy that defines how the debt would be paid back. Mr. Roderique noted the General Fund is always an emergency back up if the revenues are not there. He further noted they couldn't go in with the expectation that they can spend whatever they want and the General Fund will cover it.

Mr. Roderique stated \$12,500 of bed tax funds goes to the Fiesta Bowl Float. He further stated they are recommending not to support the Fiesta Bowl float next year. There is far more value in advertising than there is in supporting the float.

Commissioner Catalan stated at the last meeting the Commission discussed the possibility of increasing the bed tax. Mr. Roderique stated they have three options and they could chose a combination of all three options:

- Increase the bed tax.
- Cut expenses.
- Look at reallocating City funding.

Chairman Bomer inquired if they were to raise the bed tax would it still be subject to the one-third allocation going to the General Fund. Mr. Roderique replied it would require a public vote and they could craft the ballot language to required the entire additional amount to go to the tourism fund.

Chairman Bomer requested clarification on the stadium funding impact back to the CVB. Ms. Sacco stated next fiscal year they anticipate only receiving half of what they originally received.

Commissioner Sickel stated he is struggling with the idea of increasing the bed tax. He further stated in order to make it happen they would need to have considerable support from the hospitality community to make it work. It is a difficult time to garner support recognizing the business travelers have not come back and by increasing the bed tax it makes them less competitive. Commissioner Catalan stated the Commission needs information on what percentages other cities charge to find out how they compare with other cities. Mr. Roderique stated staff would provide that information.

The Commission discussed whether it was appropriate for bed tax dollars to be used for the Waterfront project given the fact that the project has changed so dramatically overtime and is no longer viewed as a significant tourism driver as it was originally told back in 1992. It was noted that the Commission has never taken a formal action on the \$4.2 million from bed tax funds.

Councilman Ecton stated he would agree it does not appear that the Waterfront project will be the tourism driver that was originally planned. He further stated he is a strong supporter of strategic planning and he felt what the Commission is doing today is very appropriate. He remarked the Commission might have to cut a couple of these projects like the Waterfront project. They also might have to look at not increasing the CVB budget next year. He further remarked he felt it was inappropriate to increase the bed tax at this time because they have other options.

Councilman Silverman stated with regard to Signature Events it might be time to stop supporting them because they are major events and they will happen without the Commission's support.

Commissioner Robinson commented that there might be extra revenue generated by doing these events that would allow them to stay competitive.

Vice Chairman Morrow requested an update on the Loloma project. Mr. Roderique replied he has not spoken with Natalie Lewis recently and he would e-mail the Commission an update.

Councilman Ecton stated he felt the Waterfront Project is a vital project but it might be more appropriate to find other revenue sources to fund the project. He further stated if

they Commission follows the plan Mr. Clifford has outlined that would for the most part take care of their issues in the next couple of years.

Commissioner Sickel stated that with regard to the CVB contract he felt strongly that everyone should share in the budget cuts. He further stated with regard to the Waterfront project it appears to be headed more in a community direction and the linkage to the bed tax is even more nebulous.

The Commission discussed the fact that the \$550,000 is allocated for event promotion and an additional \$229,000 is allocated for marketing the Signature Events through the CVB.

The Commission discussed that the motion in October for Signature Events was to approve 80 percent up front when the contract is executed and 20 percent at a future date contingent on the bed-tax funds being there. It was also discussed that this recommendation was instituted last year in the face of potential revenue shortfalls that the 20 percent would not be paid unless a certain dollar threshold was met by the bed tax collection at the end of the high season. Mr. Roderique stated staff's interpretation of the motion is that there is no commitment on the part of the City to fund any of those groups. The motion did not contractually obligate this Commission to spend that money. It was simply direction to move forward with the process.

Commissioner Catalan stated he has no problem with addressing this issue in future years and they may want to eliminate the funding. He further stated he feels uncomfortable pulling back on the funding because these events are under the impression they would receive funding.

Councilman Ecton stated the Commission should develop a policy on the funding for Signature Events. Chairman Bomer replied the Commission has criteria for Signature Events but it needs to be revised.

VICE CHAIRMAN MORROW MOVED THAT THE TOURISM DEVELOPMENT COMMISSION RECOMMEND TO THE CITY COUNCIL THAT NO ADDITIONAL BED TAX FUNDS EITHER IN CASH OR DEBT SERVICE SHOULD BE USED FOR THE WATERFRONT PROJECT. SECOND BY COMMISSIONER CATALAN AND PASSED UNANIMOUS.

Commissioner Curley stated before the Commission comes to a decision on the CVB contract they need sufficient time to study Ms. Sacco's proposal.

Ms. O'Connor stated the Commission needs to look at the overall picture for the capital projects and rank them on how important they are with regard to projected bed-tax revenues.

Mr. Roderique stated the Commission would need additional information before they can make decisions on the Loloma project and the CVB contract. He further stated the Commission would also need information on the bed tax revenue comparisons. After they have had these discussions, they will find out where the gap is.

The Commission continued their discussion on funding Signature events. Commissioner Curley stated the Commission might want to consider just supporting the Signature Events in terms of the marketing dollars that go to the CVB. Chairman Bomer stated the Commission might also want to consider only funding those groups at a 50 percent level. Commissioner Catalan stated there is \$1.7 million set aside from bed-tax funds in the City's Capital projects budget so the funds are available to fund the Signature events at the proposed 80 percent level. Chairman Bomer stated they could chose to spend those funds but at some point, they could run out of savings. Commissioner Curley stated he would agree with Commissioner Catalan that the expectation at the October meeting was that the events would receive 80 percent funding. Vice Chairman Morrow stated he would concur that the clear impression was given that these events would receive 80 percent.

Ms. Eickley summarized the expenditures the Commission discussed reducing:

- The Fiesta Bowl Float, \$12,500.
- Hold back 20 percent of the Signature event funding in the amount of \$41,000.
- Any future Waterfront funding.

Ms. O'Connor reviewed the line items for professional services.

The consensus of the Commission was to fund the Signature Events at an 80 percent level for this year. It was determined these groups should not be led to think they will be receiving an additional 20 percent. The Commission felt the Signature Events should be notified that the funding might be cut in part or completely in the future.

Vice Chairman Morrow requested clarification on the bond and debt service situation as it relates to the Taliesin project. Ms. Eickley stated at the last meeting one of the commissioners inquired if they could bond for the Taliesin project. She advised the Commission they could not bond for the Taliesin project alone because it was too small of a dollar amount. However, if they combine the Taliesin, Waterfront, and Loloma projects they could issue a bond. She further stated Financial Services felt that would provide a better solution for their budget. She added they do have the option to fund this project as originally proposed.

Chairman Bomer stated the January 21st Commission meeting would be strictly for reviewing the Signature Event proposals. He further stated at the February meeting they would discuss the Loloma project, CVB contract and bed-tax comparisons for other cities.

Vice Chairman Morrow inquired if the Commission felt they should take a position on the funding for the Taliesin project. Mr. Roderique stated he felt it was not necessary for the Commission to take a position on this today because they would need to see how the Loloma and Waterfront projects unfold.

Commissioner Catalan inquired if it would be appropriate for the Commission to write a letter to City Council stating their position on the Waterfront project. Chairman Bomer noted Chris Hart's letter clearly stated that position, but they could write another letter.

Vice Chairman Morrow stated historically the Commission and City Council annually have a joint meeting. He further stated during the three years he has served on this Commission that meeting has not occurred. He inquired if it would be appropriated to ask for that meeting. Ms. O'Connor stated she would follow up on that request.

Ms. Sacco provided an update on the Cultural Tourism program. She remarked she would request the CVB be placed on a future agenda to allow her to provide a mid-year report. She passed out the budget scenarios she prepared for the Commission's review.

ADMINISTRATOR'S REPORT

Ms. O'Connor stated 11 signature events have applied with one new event.

Commissioner Bomer stated the question came up a few months ago regarding the potential conflict of interest if you are serving on the Commission and sitting on the Board of Directors for the CVB. Ms. O'Connor reported she received a reply from legal Counsel stating if you serve on two different boards in your capacity as a City Commissioner you are not to let any other interest influence your decision as it relates to the best interests of the City.

UPCOMING EVENTS AND COMMISSION BUSINESS

The next regularly scheduled meeting will take place, Tuesday, January 21, 2003.

ADJOURNMENT

There being no further business to come before the Commission, being duly moved and seconded, the meeting was adjourned at 10:08 a.m.

Respectfully submitted,

"For the Record" Court Reporters.